

## Message Text

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43

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 FEAE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 IO-14 PA-04

PRS-01 USIA-15 DRC-01 /191 W  
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R 281543Z AUG 74

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4054

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

C O N F I D E N T I A L LUXEMBOURG 0548

E.O. 11652: GDS

TAGS: EINV, ENRG, OPEC, OECD

SUBJ: FOREIGN DIRECT INVESTMENT BY OIL PRODUCING NATIONS

REF: STATE 178868

1. ALTHOUGH THE GOL WOULD WELCOME AND MIGHT SEEK TO  
ENCOURAGE INCREASED PORTFOLIO INVESTMENTS THROUGH THE  
GROWING LUXEMBOURG FINANCIAL CENTER, THE GOL IS NOT LIKELY  
TO ENCOURAGE DIRECT FOREIGN INVESTMENTS INTO LUXEMBOURG  
FROM OPEC COUNTRIES OR FROM ANY OTHER SOURCE DUE TO A  
CONTINUING SHORTAGE OF QUALIFIED LABOR.

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2. FOR TEN YEARS THE GOL, BY OFFERING GENEROUS INCENTIVES, HAS ACTIVELY SOUGHT FOREIGN DIRECT INVESTMENT IN LUXEMBOURG IN ORDER BOTH TO LESSEN THE ECONOMY'S DEPENDENCE ON THE STEEL SECTOR AND TO ABSORB LABOR RELEASED THROUGH RATIONALIZATION POLICIES IN THE AGRICULTURAL AND STEEL SECTORS. NEW INVESTMENT INCENTIVE LEGISLATION WAS PASSED LATE IN 1973 (SEE OUR A-19 OF MARCH 22, 1974, NOTAL), BUT ECONOMIC MINISTRY OFFICIALS HAVE TOLD US THAT NO INCENTIVES WILL BE OFFERED FOR NEW DIRECT INVESTMENT IN LUXEMBOURG UNTIL THE LABOR SITUATION IMPROVES, WHICH THEY DO NOT FORESEE HAPPENING IN THE NEAR FUTURE. WITH ZERO UNEMPLOYMENT AND A NEAR ZERO GROWTH RATE OF THE INDIGENOUS POPULATION, NEW DEMANDS FOR LABOR MUST BE MET BY INCREASED IMMIGRATION. IMMIGRANT LABOR ALREADY ACCOUNTS FOR APPROXIMATELY 20 PERCENT OF THE INDUSTRIAL LABOR FORCE AND ITS EXISTENCE IN LUXEMBOURG'S TRADITION-ORIENTED SOCIETY HAS CAUSED A NUMBER OF SOCIAL PROBLEMS. LUXEMBOURG'S NEW SOCIALIST/DEMOCRATIC COALITION HAS PROMISED TO SOLVE THE COUNTRY'S EXISTING SOCIAL NEEDS BUT WOULD NOT WANT TO INCREASE THIS BURDEN BY STEPPING UP THE FLOW OF IMMIGRANT LABOR TO MEET THE NEEDS OF NEW DIRECT FOREIGN INVESTMENT.

3. THE GOL REACTION TO A US CHANGE OF POLICY REGARDING FOREIGN INVESTMENT IN THE UNITED STATES IS LIKELY TO BE SHAPED BY THE ATTITUDES OF ITS EC COLLEAGUES, PARTICULARLY THE BELGIANS. SINCE THE GOL HAS NO INTEREST IN ATTRACTING FOREIGN INVESTMENT, AND SINCE LUXEMBOURGERS INVEST VERY LITTLE IN OTHER COUNTRIES, A CHANGE IN US INVESTMENT POLICY WOULD HAVE LITTLE DIRECT EFFECT ON LUXEMBOURG. IN OTHER INSTANCES, WHERE LUXEMBOURG'S ECONOMIC INTERESTS ARE NOT DIRECTLY AFFECTED, WE HAVE FOUND THAT THE GOL TENDS TO FOLLOW THE LEAD OF THE BELGIANS.

4. ON THE OTHER HAND, SHOULD ANY CHANGES IN US INVESTMENT POLICIES RESULT IN A DIRECT OR INDIRECT EFFECT ON THE FLOW OF FUNDS THROUGH THE LUXEMBOURG FINANCIAL PLACE, WE COULD THEN EXPECT KEEN GOL INTEREST IN THESE DEVELOPMENTS. TARNOFF

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## Message Attributes

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